



# CITY OF SAN ANTONIO

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March 22, 2005

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Robert Ojeda  
Fire Chief

Sharon De La Garza  
Human Resources Director

Ms. De La Garza and Gentlemen:

RE: Issue Final Report for the Audit of Fire Department Uniformed Personnel Special Compensation

The Governance Committee authorized the City Auditor's Office to perform a review of the special compensation paid to Uniformed Personnel in the Fire Department. This project began in late October 2004 and was essentially complete in January 2005. This audit was recommended based upon the risk assessment conducted in the summer 2004 using the following criteria:

- The Fire Fighters' Collective Bargaining Agreement ends on September 30, 2005. (Page 3 of 25)
- Numerous types and amounts of special compensation are paid based upon the current agreement. (Pages 6 and 7 of 25)
- Over 1,400 public safety employees are impacted by this special compensation. (Page 8 of 25)
- In fiscal year 2004, \$5.3 million was estimated for these costs while actual expenditures were \$4.9 million. (Page 8 of 25)
- The payroll business process for special compensation payments to Fire Fighters is rather complex and has required continuing the maintenance of multiple databases for these 1,400+ employees. (Page 8 of 25)
- The transaction volumes and complexities increase the risks for undetected and/or unintentional errors in paying the various types and amounts of special compensation. (Pages 6 and 7 of 25)

Attachment A with the audit report provides an overview of approximate annual salary and compensation for various positions and years of service as a Fire Fighter. With one year of service a Fire Fighter's yearly pay could potentially include between \$1,100 and \$18,400 for the various combinations of available special compensation and overtime. A Captain's annual pay after twenty years could potentially include between \$10,100 and \$28,400 depending on the combination of special compensation and overtime awarded.

This City is unique in the variety of special compensation available to Fire Fighters. While the Uniformed Police Personnel have similar opportunities, such extensive supplements to base pay are not offered to Civilian City Staff. Although, citywide language skill compensation has been available based upon an administrative directive from the City Manager. Also, select positions now offer certification or special skills compensation to Civilians as of fiscal year 2005. Attachment B to the report compares the incentives available to City Uniformed Fire Personnel to major Texas Cities and one of similar population in another state. This shows San Antonio offers a broader range of additional compensation opportunities to its Fire Personnel compared with these other Cities.

Implementation of the ERM Project SAP Payroll Functions in October 2004 was complicated by the extensive list of compensation incentives allowed in the current bargaining agreement and the continued use and input to the Fire Department's Employee Database. Combined, these situations have resulted in greater risks associated with the Fire Fighters payroll processes. Effectively, the City now has dual system/database maintenance which increases costs, and the potential for errors due to almost double the data entry work. Having two almost identical databases is not sustainable for the City in terms of resources and costs so this will need to be addressed and dealt with soon. Persistent errors from SAP payroll data input have created substantial morale issues with the Uniformed Fire Fighters for the City Manager to resolve and explain. Testing of limited SAP payroll transactions showed a configuration problem that could result in Uniformed Personnel receiving duplicate incentives for assignment and qualification. Greater monitoring of incentive payments by the Fire Department Personnel Services Division could detect errors of this type until SAP configuration changes can be evaluated and implemented.

As the budget cycle for fiscal year 2006 approaches, the Mayor and City Council have an opportunity to evaluate other options for dealing with Fire Fighter compensation. Since the bargaining agreement will end in 2005, negotiations can address implementing payroll business process efficiencies and costs savings. Simplification of the compensation schedule for Fire Fighters could result in substantial processing savings while simultaneously improving data reliability. The City Council could approach the planning processes for 2006 with a new pay structure for Fire Personnel that incorporates into base pay a number of the special compensation categories. This would of course mean that the City adopts some of these as job requirements for various levels within the new pay structure. The most likely candidates for this transition include:

- Longevity Pay – as required by the Local Government Code
- Certification Pay – EMT/Paramedic, Fire Structure
- Licensing Pay – Paramedic
- Language Skill Pay – bilingual ability for any language
- Educational Incentive Pay – higher education degrees, such as Associates, Bachelors, and Masters
- Special Assignment – Training, HAZ MAT, Rescue, Aviation

Generally, the audit results implied some risk to City because of undocumented practices and directives within the Fire Department, such as specialty team qualifications and higher education degree requirements. For example, the Fire Chief should formally determine which degree plans for associate, bachelors, and masters will be job related; this could save the City personnel costs by excluding areas of study such as history, international affairs, music, and art. Missing or unfilled personnel paperwork in the Human Resources and Fire Departments related to language skills, certifications, degrees, and assignment changes also adds incrementally to the City's risks. These Departments have had challenges keeping up with maintaining their respective official City employee files. Also, the Fire Chief should establish periodic checks or verifications of personnel/pay records with the State's certification reports, and with recent internal transfers/promotions approved and processed.

The Director of Human Resources should review the citywide administrative directive for language skill pay. A cost/benefit analysis and qualitative review should be done to determine if it should be continued as is or modified to focus on job related language requirements. For cases where language communication skills are required for specific jobs, incorporate this into the job posting and adjust the salary grade/step classification to reflect the revised skills. Determine if the City of San Antonio should compensate anyone for languages other than Spanish; based upon the 2000 census population data.

If narrowing the field of City Staff to meet absolute bilingual requirements is possible, this could result in significant personnel costs (salary and fringe benefits) savings. Direct language skill payments to City Employees in fiscal year 2004 totaled \$1.2 million, including \$295,000 for the Fire Department. While the primary alternate language is Spanish, the other languages included German, Chinese, Arabic, and American Sign.

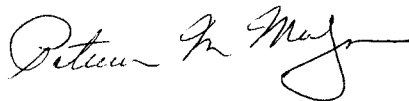
Another issue involved an understanding by City Management about the types of certifications to be sponsored for Fire Fighting Personnel. It seemed that City Executives thought they had agreed to pay for "structure" fire certification; however, the final bargaining agreement was changed slightly by excluding the term "structure". As a result of this somewhat minor difference, the City has been required to pay for a variety of other certifications. From this, it would seem that the quality control process for legal documents needs to be improved to provide better controls over language revisions to avoid unnecessary costs to the City. The City should certainly address this matter again as part of the new negotiations for the next agreement.

Accepted auditing standards and practices applied were to provide reasonable but not absolute assurance to you and Management about the internal control environment. Audit procedures included using random and judgmental sampling of payroll transactions for special compensation items. This allowed reviewing 100 percent of several transactions while for others fewer transactions were tested. It is important that you be aware that the project was not designed to audit all of the payments for special compensation during the two-year period. Several observations and issues were noted which indicated a need for improving parts of the payroll business process. Most of these were not automation issues but rather manual steps, such as having complete documentation in personnel files. Others include having approved procedures for specialty team qualifications, and for higher education degree requirements. Personnel records should reflect the actual assignments and positions for the Fire Fighters; when the movement of staff occurs, the proper documents should be prepared. There were a limited number of payroll errors or potential errors identified by the testing procedures. These have been provided to the Fire Chief for action where required.

As a reminder to you, an audit of Police Uniformed Personnel Special Compensation is currently in progress. Some of the issues presented here will potentially be applicable to that audit as well. These may include the consolidation of incentives and base pay into one salary grade/step structure, reconsideration of the language skill requirements citywide, and possible efficiencies to consider for the payroll business process.

City Management and Staff fully cooperated with this audit and provided all of the data and information requested that was available to them. The attached report includes responses from the Fire Department that have been reviewed and approved by City Executive Management. They have generally agreed with the eight recommended action items, and indicated that most will be resolved by April 1, 2005. The City Manager will need to work with the Mayor and City Council to address the broader policy issues that relate to bargaining agreement negotiation items and to assessing which positions warrant language skill compensation as a matter of public service.

Sincerely,



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cc: Assistant Chief Noel T. Horan